

TABLE IV-10. TENNESSEE VALLEY AUTHORITY (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
Exempt from limitation Entitlements and other mandatory programs	77	81	84	89	99
FFB transactions					
Guaranteed loan purchases	<u>4,513</u>	<u>5,641</u>	<u>6,373</u>	<u>5,412</u>	<u>6,258</u>
Total, gross direct loan obligations	4,590	5,722	6,457	5,501	6,357
Loan Guarantee Commitments					
Exempt from limitation	4,513	5,641	6,373	5,412	6,258
Net Direct Lending					
On-budget	69	53	46	57	55
Off-budget	<u>336</u>	<u>195</u>	<u>184</u>	<u>193</u>	<u>181</u>
Total	405	248	230	250	236
Cumulative Outstanding					
Direct loans	267	320	366	324	379
Loan guarantees	1,258	1,453	1,637	1,451	1,632
FFB	1,258	1,453	1,637	1,451	1,632

TVA also has a direct loan program for making low-interest loans for conservation through utilities serving the borrowers. TVA is then paid back through these utilities. CBO's baseline projection is \$84 million in new direct loan obligations in 1984, increasing to \$99 million by 1988.

Bonneville Power Administration

The Bonneville Power Administration provides direct loans for energy conservation. These loans are made through the power distribution companies serving borrowers for the purpose of promoting residential conservation measures. No interest is specifically charged, and repayment of principal occurs over a period of five years. The cost of interest is included in the rates charged to all power recipients, since energy conservation is perceived as a general benefit to the Bonneville system.

In 1982, a limitation of \$40 million was enacted for new direct loan obligations, \$36 million higher than the amount actually obligated. CBO's baseline projection for 1984 is \$42 million, increasing to \$49 million by 1988.

The Administration is proposing a \$20 million limitation on new loan guarantee commitments in 1984. CBO is not assuming any new commitments for the program.

Geothermal Resources Development

The geothermal resources development program provides loan guarantees to assist the private sector in developing geothermal resources by minimizing lender's financial risk associated with the introduction of new technology. The CBO baseline estimate for new loan guarantee commitments is \$152 million in 1984.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

Function 300 contains two direct loan programs: the Interior Department's water resources loan program and loans for reconstruction of the Filene Center at Wolf Trap Farm Park. Table IV-11 summarizes new direct loan obligations in this function.

TABLE IV-11. NATURAL RESOURCES AND ENVIRONMENT CREDIT PROGRAMS BASELINE (By fiscal year, in millions of dollars)

Program	1982	CBO Baseline Estimates					
	Actual	1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Bureau of Reclamation loan program	25	27	28	30	31	32	33
Construction (Wolf Trap)	---	---	8	---	---	---	---
Total	25	27	36	30	31	32	33

The Small Reclamation Projects Act provides authorization for loans to nonfederal organizations for construction or rehabilitation of small water resource projects. The Distribution Systems Loan Act provides loans to organizations for the construction of irrigation and municipal or industrial waste distribution systems on authorized federal reclamation projects. The CBO baseline projection for new direct loan obligations in 1984 is \$28 million, increasing to \$33 million by 1988.

Public Law 97-310 provides for the reconstruction of the Filene Center at Wolf Trap Farm Park for the Performing Arts. The CBO baseline projection for 1983 new direct loan obligations is \$8.0 million. No new loans are projected for 1984.

FUNCTION 350: AGRICULTURE

Credit assistance for agriculture consists of loans and loan guarantees of the Farmers Home Administration Agriculture Credit Insurance Fund (ACIF) and the Commodity Credit Corporation (CCC), both in the Department of Agriculture. Table IV-12 summarizes new direct loan obligations and new loan guarantee commitments by the ACIF and the CCC in fiscal years 1982-1988. Table IV-13 highlights differences between the CBO baseline and the President's budget as estimated by CBO for agriculture programs.

Agriculture Credit Insurance Fund

The ACIF provides a wide variety of direct loans to farmers, ranchers, and others engaged in agricultural activities. Loans support farm ownership and operations, soil and water conservation and development, development of recreation enterprises and emergency disaster relief to individuals. Associations are eligible for loans for irrigation and drainage, Indian land acquisition, watershed protection, flood prevention, and resource conservation and development. Table IV-14 summarizes the credit activity for the ACIF from 1982-1984.

The terms for direct loans made through the ACIF are more favorable than those for commercial loans. Farm ownership, property, and resource development loans have long-term maturities, usually 35 to 40 years, and bear interest at ACIF's cost of borrowing from the Treasury plus a small administrative fee. Low-income borrowers receive 20 percent of all new loans extended. These loans are made at lower interest rates, usually half the cost of Treasury borrowing to a minimum of 5 percent. Farm operating loans have shorter terms, usually 7 to 10 years, and use the same Treasury interest rate. Twenty percent of the operating loans are made to low-income farmers who receive interest at three percentage points below the government cost of borrowing to a minimum of 5 percent. Disaster loans for farm ownership and operations have the same maturities, and loans on losses are let at 8 percent. Guaranteed loans have the same maturities as direct loans although the interest rate is negotiated between the lender and the borrower.

The ACIF is a revolving fund. Sales of direct loans held by the ACIF provide funds for further loans. Groups of loans are packaged as a pool in a certificate of beneficial ownership (CBO), or loan asset, and sold. Most CBOs are sold with an ACIF guarantee to the Federal Financing Bank (FFB). Because proceeds from these loan assets are considered to be offsetting

TABLE IV-12. AGRICULTURE CREDIT PROGRAMS BASELINE (By fiscal year, in millions of dollars)

Program	1982 Actual	CBO Baseline Estimates					
		1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Agriculture Credit Insurance Fund (ACIF) ^{a/}	4,199	4,544	4,656	4,875	5,091	5,297	5,478
ACIF, FFB purchases of loan assets	5,380	4,524	4,628	4,820	5,037	5,245	5,447
Commodity Credit Corporation price support and related programs	<u>11,500</u>	<u>11,877</u>	<u>8,564</u>	<u>6,149</u>	<u>6,173</u>	<u>6,686</u>	<u>6,531</u>
Total, gross	21,079	20,945	17,848	15,844	16,301	17,228	17,456
Less							
Sale of FFB loan assets	<u>-5,380</u>	<u>-4,524</u>	<u>-4,628</u>	<u>-4,820</u>	<u>-5,037</u>	<u>-5,245</u>	<u>-5,447</u>
Total	15,699	16,421	13,220	11,024	11,264	11,983	12,009
Loan Guarantee Commitments							
Agriculture Credit Insurance Fund	5,437	5,255	5,387	5,616	5,868	6,108	6,342
CCC price supports and related programs	<u>1,551</u>	<u>4,800</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
Total, gross	6,988	10,055	8,387	8,616	8,868	9,108	9,342
Less							
Guarantees of direct loans sold	<u>-5,380</u>	<u>-4,524</u>	<u>-4,628</u>	<u>-4,820</u>	<u>-5,037</u>	<u>-5,245</u>	<u>-5,447</u>
Total	1,608	5,531	3,759	3,796	3,831	3,868	3,895

^{a/} ACIF direct loan obligations are shown net of FmHA's repurchase of loan assets from the FFB.

TABLE IV-13. PROPOSED CHANGES IN AGRICULTURE CREDIT PROGRAMS (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
Baseline Direct Loans	13.2	11.0	11.3	15.9	13.3	
Proposed changes						
ACIF	-0.7	-0.8	-1.1	-1.3	-1.4	-5.3
ACIF, loan assets <u>a/</u>	(0.6)	(-0.8)	(-4.0)	(-5.1)	(-1.1)	(-10.4)
CCC	-0.5	-0.5	-0.6	-0.6	-0.6	-2.8
Total change	-1.2	-1.3	-1.7	-1.9	-2.0	-8.1
President's budget as estimated by CBO	12.0	9.7	9.6	10.1	10.0	
Baseline Loan Guarantees	3.8	3.8	3.8	3.9	3.9	
Proposed changes						
ACIF	-0.7	-0.7	-0.7	-0.8	-0.8	-3.7
Total Change	-0.7	-0.7	-0.7	-0.8	-0.8	-3.7
President's budget as estimated by CBO	3.1	3.1	3.1	3.1	3.1	

a/ Amounts in parentheses are changes that are added and then deducted from the credit budget, and do not affect total change.

collections, they are counted as negative outlays, and reduce net lending. Selling loan assets to the FFB has the effect of transferring budget outlays from the ACIF to the off-budget FFB.

CBO's baseline projection for ACIF direct loan obligations is \$4.7 billion in 1984, increasing to \$6.7 billion by 1988. The Administration is requesting a limitation of \$4.0 billion on new direct loan obligations, and is freezing the program at this level through 1988. The CBO baseline projection for new loan asset sales is \$4.6 billion, increasing to \$5.4 billion by 1988. The Administration estimates \$5.4 billion in new loan asset sales, decreasing to \$4.3 billion by 1988. The CBO baseline projection for new loan guarantee commitments is \$5.4 billion in 1984: \$131 million for farm ownership, farm operating and soil and water guarantees; \$628 million inflated from the \$600 million limitation for economic emergency guaranteed loans provided in the 1983 Agriculture Appropriation Act; and guarantees of loan asset sales of \$4.6 billion. The Administration is requesting a

limitation of \$106 million on new loan guarantee commitments plus guarantees of loan asset sales of \$5.3 billion for a total of \$5.4 billion in new loan guarantees. CBO projects new loan guarantee commitments increasing to \$6.3 billion by 1988. The Administration projects guarantees decreasing to \$4.4 billion by 1988.

In the credit control system, limitations are imposed only on new direct loans and loan guarantees by the ACIF to the public. Sales of loan assets and guarantees of these sales are considered to be financing transactions. Therefore, no limitations are made on direct loan obligations or loan guarantee commitments associated with asset sales.

The Administration is proposing a number of changes in the ACIF lending programs. In the farm ownership and farm operating programs, legislation is proposed to increase the limitation in principal indebtedness of borrowers, giving additional assistance to beginning farmers. In both programs, legislation will be proposed to eliminate lending for recreational enterprises. The Administration is proposing to eliminate funding for irrigation and drainage loans, resource conservation and development and watershed protection, general recreation loans, and flood prevention loans in 1984. It proposes to increase interest rates in some programs to the cost of Treasury money for all borrowers. In addition, legislation will be proposed to eliminate emergency disaster loans when federal crop insurance is generally available to producers in an area. This proposal is designed to provide an incentive for farmers to move toward participation in the crop insurance program rather than rely on the availability of subsidized loans to recover from disaster losses. The prospect that these loans would become available has encouraged some farmers to assume unacceptable financial risk.

Commodity Credit Corporation

The Commodity Credit Corporation (CCC) conducts two direct loan programs and one loan guarantee program for farm income stabilization and support. Table IV-15 summarizes the new direct loan obligations and new loan guarantee commitments for 1982 through 1984.

The CCC's principal form of credit assistance is the nonrecourse commodity loan. The CCC makes direct loans to producers with the crop or commodity serving as collateral. On the maturity date, approximately nine months later, the producer may either pay off the loan or deliver his crop to the CCC. Commodity loans act to set a floor under market prices because they are based on a given price. If the market price is below the support price, the farmer delivers his crop to the CCC rather than repay the loan. If the market price is above the support price, he sells the crop himself and

TABLE IV-14. AGRICULTURE CREDIT INSURANCE FUND (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
Limitation	2,129	2,249	2,249	2,249	3,974
Unused balance of limitation	-264	---	---	---	---
Exempt from limitation					
Repurchases	4,325	3,465	5,395	3,465	5,395
Entitlements and other mandatory programs	<u>2,334</u>	<u>2,295</u>	<u>2,407</u>	<u>2,015</u>	<u>5</u>
Total, on-budget direct loan obligations	8,524	8,009	10,051	7,729	9,374
FFB transactions					
Loan asset purchases	<u>5,380</u>	<u>4,524</u>	<u>4,628</u>	<u>4,300</u>	<u>5,291</u>
Total, gross direct loan obligations	13,904	12,533	14,679	12,029	14,665
Loan Guarantee Commitments					
Limitation	201	731	759	131	106
Unused balance of limitation	-144	---	---	---	---
Exempt from limitation	<u>5,380</u>	<u>4,524</u>	<u>4,628</u>	<u>4,300</u>	<u>5,291</u>
Gross loan guarantee commitments	5,437	5,255	5,387	4,431	5,397
Net Direct Lending					
On-budget	-241	-420	-132	-420	-132
Off-budget	<u>1,055</u>	<u>1,040</u>	<u>539</u>	<u>835</u>	<u>-104</u>
Total	814	620	407	415	-236
Cumulative Outstanding					
Direct loans	795	375	243	375	243
Loan guarantees	1,132	1,100	1,052	1,100	1,052
FFB	23,412	24,452	24,758	24,247	24,143

repays the loan with interest. The CBO 1984 baseline projection for new direct loan obligations for commodity loans is \$8.0 billion, decreasing to \$5.9 billion by 1988. The Administration proposes \$8.0 billion for these loans in 1984, reflecting a \$2.4 billion reduction from the current services estimate of \$10.3 billion. This reduction reflects implementation of the payment-in-kind program, which is discretionary under existing authority. Under the program, farmers are offered, at no expense, surplus commodities held in CCC reserves by the CCC in exchange for reducing their production of wheat, feed grains, rice, or cotton.

TABLE IV-15. COMMODITY CREDIT CORPORATION (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
Limitation	2,200	500	524	500	---
Unused balance of limitation	-2,153	---	---	-150	---
Exempt from limitation Entitlements and other mandatory programs	<u>11,454</u>	<u>11,377</u>	<u>8,040</u>	<u>11,377</u>	<u>8,040</u>
Total, gross direct loan obligations	11,500	11,877	8,564	11,727	8,040
Loan Guarantee Commitments					
Exempt from limitation	1,551	4,800	3,000	4,800	3,000
Net Direct Lending					
On-budget	<u>6,325</u>	<u>a/</u>	<u>a/</u>	<u>4,382</u>	<u>-2,025</u>
Total	6,325	<u>a/</u>	<u>a/</u>	4,382	-2,025
Cumulative Outstanding					
Direct loans	12,484	<u>a/</u>	<u>a/</u>	16,867	14,842
Loan guarantees	2,650	<u>a/</u>	<u>a/</u>	6,038	5,626

a/ Not estimated.

The CCC also conducts an export credit sales program to maximize exports of agricultural commodities and products. In 1982, the Congress enacted a limitation of \$2.2 billion on new direct loan obligations for the program. Only \$46.2 million were actually obligated. The CBO baseline projection for new direct loan obligations is \$0.5 billion in 1984, the amount enacted in the Agriculture Appropriation bill for 1983. The Administration is requesting \$0.1 billion for this program in 1984.

As the direct loan export program is phased out, the CCC's non-commercial risk assurance program will take over its activities. Under this program, the CCC guarantees U.S. exporters against default due to non-commercial risks on payments owed to them under deferred payment sales contracts. The program is designed to protect exporters from defaults caused by political instability. The CBO baseline projection for new loan guarantee commitments is \$3.0 billion in 1984 through 1988.

FUNCTION 370: COMMERCE AND HOUSING CREDIT

Credit programs in this function are designed to promote the flow of funds into commerce and housing. Programs include the mortgage insurance and purchase activities of the Department of Housing and Urban Development (HUD), the rural housing insurance fund of the Farmers Home Administration (FmHA), the business loan programs of the Small Business Administration (SBA), the National Credit Union Administration, and other activities.

The CBO baseline estimates \$6.5 billion in new direct loan obligations and \$51.0 billion in new loan guarantee commitments for 1984. Table IV-16 summarizes the credit activity in this function for 1982 through 1988. The Administration's request as estimated by CBO proposes \$2.3 billion in new direct loan obligations and \$42.3 billion in new loan guarantee commitments for 1984.

Federal Housing Administration

The first major loan guarantee program of the federal government was home mortgage insurance, begun during the Depression. Today, home mortgage insurance continues to be the largest federal credit activity. The mortgage insurance programs of the Federal Housing Administration (FHA) are administered through the FHA fund, which is actually a collection of insurance funds, each providing mortgage insurance for a targeted group of consumers.

The CBO baseline projects FHA loan guarantee commitment limitations of \$45.9 billion in 1983 and \$48.1 billion in 1984. For 1984 FHA new direct loan obligations, the baseline estimate is \$272 million. Of that amount, \$225 million will be used to cover defaults against FHA-insured mortgages.

In cases of default, the FHA pays off the holder of the guaranteed mortgage and the mortgage becomes a direct loan for which the FHA seeks repayment. The volume of direct loan obligations estimated for default claims greatly understates the FHA's activities involving defaulted properties. In addition to acquiring defaulted mortgages and notes, the FHA acquires defaulted real properties and other assets, incurring substantial property expenses to manage and maintain them. Real property acquisition is not reflected in the credit budget, since it involves no lending. Total default-related costs for FHA in 1983 and 1984 are estimated to be \$1.1 billion annually.

CBO estimates that the limitation on FHA loan guarantee commitments will increase from \$48.1 billion in 1984 to \$56.7 billion by 1988. The Administration's request assumes a constant limitation level of \$39.8 billion from 1984 through 1988. Table IV-17 shows the Administration's proposed changes in the CBO baseline for FHA and other major programs in this function, for 1984 through 1988. The Administration estimates are based on its expectation that private mortgage insurers will be able to adequately serve a relatively larger share of the housing market as interest rates decline and economic conditions improve, and as part of its continuing policy to reduce the federal role in housing credit. In response to increased demand for FHA-insured mortgages in the latter months of 1982, the Administration requested and received a \$6.1 billion supplemental to the enacted limitation level for 1983, raising it to \$45.9 billion.

The Administration is again proposing legislation to remove existing statutory ceilings on interest rates for FHA mortgages, and to eliminate the regulation that prohibits FHA-insured homebuyers from directly paying points, or interest charges, on the purchased property. FHA also will begin two new programs in 1983. One allows direct approval of FHA-insured mortgages by approved mortgage lenders. The other program changes the method of collecting FHA insurance premiums. It establishes either a lump sum payment at the time of settlement, or adds insurance costs to the mortgage value, replacing monthly premium payments. Table IV-18 shows a detailed description of credit activity in the FHA fund.

Government National Mortgage Association

Major federal support for the mortgage market is provided by the activities of the Government National Mortgage Association (GNMA). GNMA guarantees securities that are issued by mortgage bankers and other financial institutions. These securities are backed by pools of mortgages insured by the FHA, the Veterans Administration, or the Farmers Home Administration. Because the GNMA guarantees are attached to previously insured mortgages, they are counted as secondary guarantees in the credit budget and are deducted from the credit budget totals. The GNMA-guaranteed securities are attractive to investors who have not traditionally invested in mortgages. Through its guarantees, GNMA is able to draw more funds into housing credit.

The CBO baseline projects guaranteed loan commitment limitation levels of \$68.2 billion in 1983 and \$71.5 billion in 1984, increasing to \$84.4 billion in 1988. The Administration is requesting a commitment limitation

TABLE IV-16. COMMERCE AND HOUSING CREDIT PROGRAMS BASELINE (By fiscal year, in millions of dollars)

Program	1982 Actual	CBO Baseline Estimates					
		1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Rural housing insurance fund <u>a/</u>	3,454	3,377	3,475	3,707	4,345	4,972	5,160
FFB purchase of loan assets	5,170	5,131	6,321	4,839	2,745	2,864	2,993
National Credit Union Admin.	104	100	105	105	105	105	105
Federal Housing Admin. fund	284	343	272	274	277	279	281
Housing for the elderly or handi-capped fund	819	634	668	703	732	762	790
Special assistance functions fund	1,980	500	526	554	578	600	622
SBA business loan and investment fund	683	1,005	951	855	810	794	777
SBA, FFB purchase of agency-guaranteed direct loans	215	410	430	451	470	489	507
Other	<u>56</u>	<u>61</u>	<u>63</u>	<u>65</u>	<u>69</u>	<u>70</u>	<u>73</u>
Total, gross	12,765	11,561	12,811	11,553	10,131	10,935	11,308
Less							
Sale of loan assets to the FFB	<u>-5,170</u>	<u>-5,131</u>	<u>-6,321</u>	<u>-4,839</u>	<u>-2,745</u>	<u>-2,864</u>	<u>-2,993</u>
Total	7,595	6,430	6,490	6,715	7,385	8,072	8,315

a/ RHIF direct loan obligations are shown net of FmHA's repurchase of loan assets from the FFB.

TABLE IV-16. (Continued)

Program	1982 Actual	CBO Baseline Estimates					
		1983	1984	1985	1986	1987	1988
Loan Guarantee Commitments							
Rural housing insurance fund	5,187	5,151	6,341	4,859	2,765	2,884	3,013
Federal Housing Admin. fund	18,576	45,900	48,057	50,352	52,556	54,667	56,732
Government National Mortgage Association (GNMA), guarantees of mortgage-backed securities	36,382	68,250	71,458	74,870	78,146	81,286	84,357
Small Business Admin. pollution control equipment contract guarantee revolving fund	50	250	262	274	286	298	309
SBA, business loan and investment fund	2,019	3,300	3,455	3,620	3,779	3,930	4,079
Other	<u>74</u>	<u>158</u>	<u>162</u>	<u>141</u>	<u>145</u>	<u>149</u>	<u>153</u>
Total, gross	62,288	123,009	129,735	134,117	137,678	143,213	148,644
Less							
Guarantees of direct loans sold to the FFB	-5,385	-5,541	-6,751	-5,290	-3,215	-3,353	-3,500
Guarantees of direct loans held by GNMA	-1,985	-501	-527	-554	-578	-600	-623
Secondary loan guarantees	<u>-36,382</u>	<u>-68,250</u>	<u>-71,458</u>	<u>-74,870</u>	<u>-78,146</u>	<u>-81,286</u>	<u>-84,357</u>
New primary guarantees	18,536	48,717	50,999	53,403	55,738	57,975	60,164

TABLE IV-17. PROPOSED CHANGES IN COMMERCE AND HOUSING CREDIT PROGRAMS (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
Baseline Direct Loans	6.5	6.7	7.4	8.1	8.3	
Proposed changes						
Rural housing insurance fund (RHIF)	-3.2	-3.0	-3.9	-4.6	-4.8	-19.5
RHIF, FFB loan assets	(-2.1)	(-3.1)	(-2.7)	(-2.9)	(-3.0)	(-13.8) <u>a/</u>
SBA, business loan and investment fund	-0.2	-0.3	-0.3	-0.4	-0.5	-1.7
Special assistance functions fund	-0.5	-0.6	-0.6	-0.6	-0.6	-2.9
Other	-0.3	-0.2	-0.3	-0.3	-0.1	-1.2
Total changes	<u>-4.2</u>	<u>-4.1</u>	<u>-5.1</u>	<u>-5.9</u>	<u>-6.0</u>	<u>-25.3</u>
President's budget as estimated by CBO	2.3	2.7	2.3	2.2	2.3	
Baseline Loan Guarantees	51.0	53.4	55.7	58.0	60.2	
Proposed changes						
FHA fund	-8.3	-10.6	-12.8	-14.9	-16.9	-63.5
Special assistance functions fund	0.5	0.6	0.6	0.6	0.6	2.9
SBA, business loan and investment fund	-0.7	-1.2	-2.0	-2.8	-2.9	-9.6
GNMA, guarantees of mortgage-backed securities	(-12.8)	(-16.2)	(-19.5)	(-22.6)	(-25.7)	(-96.8) <u>a/</u>
Other	-0.2	-0.3	-0.2	-0.3	-0.4	-1.4
Total changes	<u>-8.7</u>	<u>-11.5</u>	<u>-14.4</u>	<u>-17.4</u>	<u>-19.6</u>	<u>-71.6</u>
President's budget as estimated by CBO	42.3	41.9	41.3	40.6	40.6	

a/ Amounts in parentheses are changes that are added and then deducted from the credit budget, and do not affect total change.

TABLE IV-18. FEDERAL HOUSING ADMINISTRATION FUND (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		Administration Estimates	
		1983	1984	1983	1984
Direct Loan Obligations					
Limitation	76	45	47	45	56
Unused balance of limitation	-76	---	---	-3	---
Exempt from limitation					
Defaults	<u>284</u>	<u>298</u>	<u>225</u>	<u>298</u>	<u>231</u>
Total, gross direct loan obligations	284	343	272	341	288
Loan Guarantee Commitments					
Limitation	40,000	45,900	48,057	45,900	39,800
Unused balance of limitation	<u>-21,424</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Gross loan guarantee commitments	18,576	45,900	48,057	45,900	39,800
Net Direct Lending					
On-budget	-142	-161	-417	-161	-417
Cumulative Outstanding					
Direct loans	4,150	3,990	3,572	3,990	3,572
Loan guarantees	142,252	179,660	218,826	171,422	197,747

of \$58.6 billion in 1984 and projects that level through 1988, consistent with its policy to restrain the limitation for this program.

GNMA also purchases mortgages to support the flow of housing credit. Through its special assistance functions fund or the tandem plan, GNMA purchases below-market-interest-rate FHA and VA loans from lenders, at or near their full face value. GNMA then sells the mortgages at market rates to other investors, absorbing the resulting discount costs. The CBO baseline projects \$526 million in new direct loan obligations for 1984 for this fund. The Administration has not requested any new activity for 1984 and has proposed changes in law that would transfer the assets and liabilities of the fund to HUD's management and liquidating functions fund.

Housing for the Elderly or Handicapped

Section 202 of the Housing Act of 1959, as amended, provides for a program of direct loans to nonprofit sponsors, consumer cooperatives, and certain public agencies to construct rental housing for elderly and handicapped persons. The loans have a maximum term of 40 years and used to bear interest based on the Treasury's borrowing rate, plus an allowance to cover administrative expenses. Recently the Congress limited the interest rates to 9.25 percent regardless of Treasury costs.

For 1984, the CBO baseline projects new direct loan obligations of \$668 million, increasing to \$790 million by 1988. The Administration's request for 1984 is \$476 million, increasing to \$579 million by 1988.

Rural Housing Insurance Fund

The Rural Housing Insurance Fund (RHIF) of FmHA makes direct loans for rural housing purchases, rental and cooperative housing projects, farm labor housing projects, and preparation of rural housing sites.

The CBO baseline projects new direct loan obligations of \$7.4 billion for RHIF in 1984, \$3.9 billion of which are exempt from limitation and represent repurchases of maturing certificates of beneficial ownership (CBOs) from the Federal Financing Bank (FFB). The remaining \$3.5 billion are for ongoing program activities of the fund. The RHIF guarantees loan assets most of which are sold to the FFB. New loan guarantee commitments are projected to be \$6.3 billion in 1984.

The Administration's request as estimated by CBO proposes a major cut in new direct loans for rural housing. The Administration proposes to replace existing FmHA rural housing assistance with a housing block grant to states, thus reducing new direct lending from an estimated \$3.3 billion in 1983 to \$0.3 billion in 1984. The Administration also will introduce

legislation to change the treatment of CBO transactions with the FFB. Under current law, proceeds from CBOs are treated as sales of assets. Beginning in 1984, the proposed legislation would reclassify outstanding CBOs as agency debt. The issuance of new CBOs would be treated as borrowing and their retirement would be considered redemption of debt. The shift in budgetary treatment of CBOs would decrease FFB direct lending by \$4.3 billion in 1984 and reduce its outlays by \$333 million. Since FFB direct loans to purchase agency loan assets are not included in the credit budget totals, the proposed reduction of \$4.3 billion has no impact on the credit budget. Finally, the Administration proposes to transfer the self-help land development fund into RHIF, since little loan activity has occurred in the land development fund.

Table IV-19 shows the credit activity of RHIF in detail, including the effect of the Administration's proposal to reclassify its CBOs.

Small Business Administration

The Small Business Administration (SBA) provides credit to small businesses in the form of direct loans, loan guarantees, lease contracts, and pollution control equipment contracts. Most of this credit assistance occurs in the business loan and investment fund of SBA. Table IV-20 shows detailed credit activity of this fund for 1982 through 1984.

No limitations have been enacted in appropriations language for new direct loans or loan guarantees in 1983. The report language that accompanies the appropriations bills, however, did specify limitations of \$210 million in direct loan obligations and \$3.0 billion in contingent liability for loan guarantee commitments for the business loan and investment fund. SBA has interpreted this language as a limitation on its program level. The Budget Committees in scoring Congressional action on credit budget programs, include only those limitations enacted in appropriations bills.

CBO's baseline estimate for 1984 new direct loan obligations is \$951 million, decreasing to \$777 million by 1988. Direct loans of approximately \$220 million will be made to individual businesses and to minority small business investment companies in 1984. The remaining \$731 million of the 1984 new direct loan obligations will be used to pay loan guarantee default claims.

Loan guarantee commitments are projected to be \$3.5 billion in 1984, increasing to \$4.1 billion in 1988. The loan guarantee commitments in the CBO baseline represent the full principal value of the loans, although the government's contingent liability--the percentage of principal that is guaranteed--is partial. This presentation of commitments was instituted

TABLE IV-19. RURAL HOUSING INSURANCE FUND (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984 ^{a/}
Direct Loan Obligations					
Limitation	3,725	3,320	3,459	3,314	300
Unused balance of limitation	-545	---	---	---	---
Exempt from limitation					
Repurchases from FFB	2,370	2,685	3,930	2,685	---
Repurchases from private investors	<u>275</u>	<u>63</u>	<u>16</u>	<u>63</u>	<u>8</u>
Total, on-budget direct loan obligations	5,824	6,068	7,405	6,062	308
FFB transactions					
Loan asset purchases	<u>5,170</u>	<u>5,131</u>	<u>6,321</u>	<u>5,335</u>	<u>---</u>
Total, gross direct loan obligations	10,994	11,199	11,726	11,397	308
Loan Guarantee Commitments					
Exempt from limitation	<u>5,187</u>	<u>5,151</u>	<u>6,341</u>	<u>5,351</u>	<u>13</u>
Gross loan guarantee commitments	5,187	5,151	6,341	5,351	13
Net Direct Lending					
On-budget	-378	-47	---	-177	326
Off-budget	<u>2,800</u>	<u>2,417</u>	<u>2,395</u>	<u>2,650</u>	<u>---</u>
Total	2,432	2,370	2,395	2,473	326
Cumulative Outstanding					
Direct loans	447	400	400	270	596
Loan guarantees	24,989	27,390	29,790	27,569	1,106
FFB	23,921	26,338	28,773	26,571	---

^{a/} Administration estimates for 1984 reflect reclassification of certificates of beneficial ownership (CBOs) as agency debt, thus removing CBO transactions from the credit budget.

TABLE IV-20. SMALL BUSINESS ADMINISTRATION, BUSINESS LOAN AND INVESTMENT FUND (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
Limitation	---	---	---	---	41
Exempt from limitation					
Repurchases	1	1	1	1	1
Defaults	504	794	730	794	729
Entitlements and other mandatory programs	<u>178</u>	<u>210</u>	<u>220</u>	<u>72</u>	<u>---</u>
Total, on-budget direct loan obligations	683	1,005	951	867	771
FFB transactions					
Guaranteed loan purchases	<u>215</u>	<u>410</u>	<u>430</u>	<u>375</u>	<u>375</u>
Total, gross direct loan obligations	898	1,415	1,381	1,242	1,146
Loan Guarantee Commitments					
Limitation	3,300	---	---	---	---
Unused balance of limitation	-1,281	---	---	---	---
Exempt from limitation	<u>---</u>	<u>3,300</u>	<u>3,455</u>	<u>2,650</u>	<u>2,650</u>
Gross loan guarantee commitments	2,019	3,300	3,455	2,650	2,650
Net Direct Lending					
On-budget	393	<u>a/</u>	<u>a/</u>	-80	-140
Off-budget	<u>142</u>	<u>a/</u>	<u>a/</u>	<u>248</u>	<u>280</u>
Total	535	<u>a/</u>	<u>a/</u>	168	140
Cumulative Outstanding					
Direct loans	3,096	<u>a/</u>	<u>a/</u>	3,016	2,875
Loan guarantees	9,947	<u>a/</u>	<u>a/</u>	9,997	9,607
FFB	825	<u>a/</u>	<u>a/</u>	1,073	1,353

a/ Not estimated.

last year so that the credit budget would more accurately reflect the full impact of federal credit on the economy.

SBA's contingent liability for guaranteed loans is 90 percent, or \$3.1 billion of the 1984 commitments estimated by CBO. Loan guarantees are provided for business loans, loans to the handicapped, economic opportunity loans, energy loans, and small company debt. The FFB is expected to finance \$430 million of the 1984 guaranteed loans as off-budget direct loans. These FFB loans are made to small business investment and development companies to finance their provision of equity capital for small businesses.

The Administration requested supplemental funding of \$178.6 million in 1983 to meet its obligation to purchase defaulted guaranteed loans. This funding is provided by a proposed transfer of funds from the Economic Development Administration and the International Trade Administration to the SBA. In addition, the Administration requested reprogramming of \$137 million of direct loan obligations, to be used for restoring solvency to the revolving fund rather than for making new small business loans. The Administration's request as estimated by CBO is \$771 million for 1984 new direct loan obligations. Of that amount, \$41 million is for lending to minority enterprise, small business investment companies, and \$729 million is to cover claims on defaulted guaranteed loans.

Pollution Control Equipment Guarantees

Public Law 94-305 established this fund authorizing SBA to guarantee payments by small businesses to contractors for the design, planning or installation of pollution control facilities. In 1984, the CBO baseline estimate for loan guarantee commitments is \$262 million.

The Administration has proposed appropriations language to reduce 1983 loan guarantee commitments from an estimated \$250 million to \$150 million, and is requesting that amount for 1984 commitments.

National Credit Union Administration

The National Credit Union Administration (NCUA), through its central liquidity facility, provides direct loans to member credit unions to meet seasonal and emergency needs. Its share insurance fund insures members' deposits in federal credit unions. The CBO baseline estimate for new direct loan obligations is \$105 million annually from 1984 through 1988 for these two NCUA programs.

FUNCTION 400: TRANSPORTATION

This function includes credit programs of the Department of Transportation that provide financial assistance for highway, rail, air, and sea transportation. The CBO baseline estimate for 1984 direct loan obligations in this function is \$115 million, a decrease of \$99 million from the estimated 1983 level. The Administration requests \$62 million in 1984 direct loan obligations. In 1984, the CBO baseline estimate for loan guarantee commitments is \$749 million, a decrease of \$298 million from the estimated 1983 level. The Administration's 1984 estimate for loan guarantees is \$615 million in new commitments. Table IV-21 summarizes the credit activity in this function.

Federal Highway Administration

Two direct loan programs, the federal aid to highways trust fund and the right-of-way revolving fund, provide assistance to states for highway construction and for right-of-way purchases prior to highway construction. In 1984, CBO's baseline projects that new direct loan obligations for these funds will be \$51 million.

Federal Railroad Administration

The CBO baseline estimate for new direct loan obligations for railroad assistance programs is \$5 million in 1984, a decrease of \$97 million from the 1983 level. New lending for the railroad rehabilitation and improvement financing fund is projected to decrease by \$94 million between 1983 and 1984. The Administration proposes appropriations language to eliminate new direct loan obligations for all railroad assistance programs in 1984.

Aircraft Purchase Loan Guarantees

The Federal Aviation Administration is authorized to guarantee 90 percent of principal and 100 percent of interest on loans up to \$100 million per carrier for the purchase of aircraft and equipment by private commuter airlines. This authority will terminate on October 24, 1983. The CBO baseline projects \$80 million in new loan guarantee commitments for 1983. Assuming reauthorization of the program, new loan guarantee activity is projected at \$84 million in 1984, increasing to \$99 million in 1988.

The Administration does not propose reauthorization of the aircraft purchase loan guarantee program and is not requesting any new commitments in 1984.

TABLE IV-21. TRANSPORTATION CREDIT PROGRAM BASELINE (By fiscal year, in millions of dollars)

Program	1982 Actual	CBO Baseline Estimates					
		1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Federal Highway Administration	69	50	51	52	53	54	55
Federal Railroad Administration	44	102	5	5	6	6	6
Federal Railroad Administration, FFB purchase of agency-guaranteed direct loans	16	31	33	34	36	37	39
Maritime Administration federal ship financing fund	24	25	26	27	29	30	31
Other	<u>---</u>	<u>6</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	154	214	115	119	123	127	131
Loan Guarantee Commitments							
Federal Railroad Administration	42	48	47	49	36	37	39
Aircraft purchase loan guarantee program	20	80	84	88	92	96	99
Maritime Administration federal ship financing fund	<u>637</u>	<u>950</u>	<u>650</u>	<u>400</u>	<u>200</u>	<u>200</u>	<u>200</u>
Total, gross	698	1,078	781	537	328	333	338
Less							
Guarantees of direct loans sold to the FFB	<u>-16</u>	<u>-31</u>	<u>-33</u>	<u>-34</u>	<u>-36</u>	<u>-37</u>	<u>-39</u>
New Primary Guarantees	682	1,047	749	503	292	296	299

Maritime Administration, Federal Ship Financing Fund

Under Title XI of the Merchant Marine Act of 1936, as amended, the Maritime Administration (MarAd) is authorized to guarantee construction mortgage loans to build U.S.-flag vessels in the United States. It also makes direct loans in the form of advances to operators of vessels built under Title XI guarantees to forestall possible defaults and to satisfy claims on defaulted loans.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) established a commitment limitation ceiling of \$9.5 billion on the volume of MarAd guarantees for this program. The CBO baseline estimates \$950 million in guaranteed loan commitments for 1983, \$650 million for 1984, and \$400 million in 1985. CBO assumes the program will reach its total commitment ceiling in 1985 with \$200 million in new loan guarantees and that the remaining \$200 million will be financed from loan repayments. Commitments will be restricted to repayments from 1986 to 1988 at a level of \$200 million annually, and will enable MarAd to make guaranteed loans without new commitment authority.

The Administration has proposed new appropriations language that requests a limitation on commitments of \$900 million in 1984. Of that amount, \$300 million will be used only if needed in the interest of national security. The Administration also proposes loan guarantee commitment limitations of \$900 million annually from 1985 through 1988, estimating that \$600 million in guaranteed loans will be made each year. Table IV-22 shows detailed credit activity for the federal ship financing fund.

TABLE IV-22. MARITIME ADMINISTRATION, FEDERAL SHIP FINANCING FUND (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
Exempt from limitation	24	25	26	25	25
Entitlements and other					
mandatory programs	<u>24</u>	<u>25</u>	<u>26</u>	<u>25</u>	<u>25</u>
Total, gross					
direct loan					
obligations	24	25	26	25	25
Loan Guarantee Commitments					
Limitation	675	---	---	---	900
Unused balance of					
limitation	-38	---	---	---	-300
Exempt from limitation	<u>---</u>	<u>950</u>	<u>650</u>	<u>600</u>	<u>---</u>
Gross loan guarantee					
commitments	637	950	650	600	600
Net Direct Lending					
On-budget	12	19	20	19	20
Cumulative Outstanding					
Direct loans	158	177	198	177	198
Loan guarantees	7,176	7,301	7,426	7,301	7,426